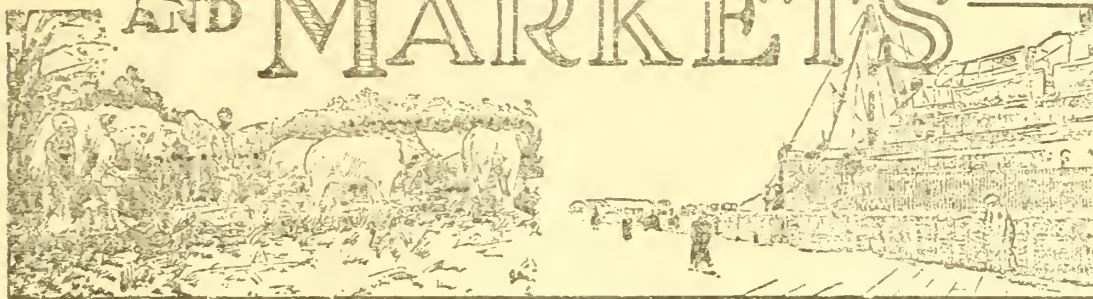


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FOREIGN CROPS AND MARKETS



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FEATURE ARTICLE

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE

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L A T E C A B L E S

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Yugoslavia final estimate of 1935 corn crop placed at
119,206,000 bushels as compared with 202,909,000 bushels in 1934.
(International Institute of Agriculture, Rome, April 9, 1936.)

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CORRECTION: On page 416 of "Foreign Crops and Markets" for
April 6, 1936, the first sentence of the second paragraph
should read: "United States exports of cotton (excluding linters)
rose from 3,412,000 bales for the first 7 months of the 1934-35
crop year to 4,638,000 for the same period of the current crop
year." These and other figures in that paragraph refer to the
table on page 423.

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C R O P A N D M A R K E T P R O S P E C T S

BREAD GRAINSThe European bread-grain situation in March a/

Generally improved demand and trading activity on import markets and very mild temperatures featured the European wheat situation in March. Prices of both domestic and foreign wheat held firm with a strengthening tendency frequently noted. The present political situation, along with decreasing imported and domestic stocks, and, in the case of France, rather poor crop prospects were important factors in improving the market situation. Offerings by European countries, including Russia, have practically ceased for the present at least and have thus helped to establish a seller's market. Unless news is received of a very large European crop or of increased export surpluses abroad, a fairly strong position seems likely to be maintained during the remainder of this season on European wheat markets.

March weather was very mild over most of Europe, and this favored spring work. Seeding operations were actively carried on, especially in the Danube Basin, and indications point toward a larger spring acreage than is usual in that region. Inasmuch as fall seedings which represent such a large proportion of the total bread-grain acreage, were reduced in many countries, there is little possibility of larger spring plantings entirely offsetting the decline in winter acreages. The next few weeks will be very important, not only in determining the acreage for harvest, but in influencing the 1936 crop outturn.

Crop situation

The winter-grain crops in Europe are now past the normally inactive winter period, and in most countries they appear to be in a generally satisfactory condition. This is particularly true of Central Europe and the Danube Basin. In France, however, crop prospects are below average at the present time. Conditions in North Africa, especially in Tunisia, are again unfavorable. Acreage abandonment because of winter killing should not be very large this year for Europe as a whole. In a number of countries, however, the usual abandonment may be exceeded as a result of the heavy rains and floods that have occurred; if damaged fields are not replanted, lower yields may be expected in the affected districts. The 1936 crop outturn in Europe will, of course, be largely determined by the weather conditions prevailing during the next 3 or 4 months.

a/ Prepared from a report of the Berlin Office of the Foreign Agricultural Service, based in part on information furnished by the offices in Paris, Belgrade, and London.

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Seedings of winter wheat and winter rye, which normally represent over 90 percent of the total acreage of these grains in Europe, show a reduction this year as compared with 1935. This is particularly true of wheat in France, Spain, England and Wales, Rumania, the Baltic States, and in Tunisia; of rye in Poland, Rumania, and the Baltic States. Inasmuch as most of the acreage reduction was the result of unfavorable weather, there has been a strong desire on the part of many producers to increase their plantings if possible. Although the winter, except for a part of February, was mild in temperature over most of Europe, there was too much rain to permit very extensive field work until in March. Spring seedings are now proceeding actively in the Danube Basin, and a somewhat larger than normal spring acreage may be planted there. In other countries, however, no very significant increases in the acreage of spring wheat now seem likely unless spring seeding conditions should prove unusually favorable.

Market situation

The European wheat-import markets were fairly active in March, largely as a result of the political situation and the depleted stocks of imported and domestic wheat. Some rather large unsold shipments of Australian wheat, however, appear to have technically modified the otherwise firm market tendency for overseas wheat. Import buying centered on Manitobas, with some smaller purchases of better-quality Portuguese wheat, old-crop Plates, and Russian wheat that had been stored at Antwerp. European wheat offerings have now become very much restricted and do not seem likely to play a very important role in the supply situation for the remainder of this season. France has stopped exporting because of poor crop prospects and because the carry-over at the end of the season is not expected to be burdensome. Portugal has exported most of the merchantable surplus, and in Poland and the Danubian countries the relationships between domestic and export prices are not very favorable for export business. Some contingent quantities of Hungarian wheat are moving to Italy, but this is not competitive with other wheats. Even Russian exports have practically ceased, for the present at least. It is thus apparent that quite a number of exporters, hitherto supplying a considerable share of continental European requirements, have recently dropped out of the picture, which has tended to shift the import situation from a buyer's to a seller's market.

The total import needs of 21 European countries during the 1935-36 season is roughly estimated at 367,000,000 bushels of wheat. Net imports in 1934-35 amounted to 348,000,000 bushels. In order to come up to the 1935-36 estimate, net imports from March 1 to July 31, 1936, will have to total 160,000,000 bushels as compared with 136,000,000 bushels imported in the corresponding months of 1935. (These figures exclude Italy, inasmuch

CROP AND MARKET PROSPECTS, CONT'D

as trade data are no longer published for that country.) Present prospects indicate that this larger figure will be reached during March-July, although there may be important modifications, especially in individual countries, depending upon the crop situation 2 or 3 months from now, as well as the time of harvests. Late harvests in some importing countries would increase the 1935-36 requirements, and early harvests might reduce them somewhat.

Among the more important trade developments in individual countries during recent weeks are the shifts noted in France and Portugal. Instead of being a net exporter this season, as was indicated by the French export plans, France will be a net importer. On the other hand, Portugal has become a net exporter. In the Irish Free State, a larger crop outturn than was estimated earlier, along with trade figures to date, have caused a reduction in the import estimate for that country. Both Lithuania and Poland have exported more wheat than was expected, and small upward revisions in their export estimates have therefore been made. Export supplies now seem almost exhausted, so that the seasonal total appears to have been about reached. Since the Swedish authorities, contrary to previous expectations, released for export another 900,000 bushels of wheat in February, a further upward revision has been made for that country. No significant changes have been made in deficit estimates for other countries.

Government aid and organizational measures

Government aid or organized measures affecting the wheat trade of Europe may be conveniently grouped into two classes; the first includes those which reflect a fundamental development in policy or control, and the second comprises those which are largely seasonal or routine regulation changes.

Of the first group, the most important development during recent months probably has been the institution of complete governmental control of the wheat market in Italy, including the adoption of fixed prices. All wheat supplies, over and above a small allowance for personal consumption by those having any wheat stocks, have been put under the control of the Amassi Collettivi, and it has been declared that millers may buy only from the Amassi. The use of durum wheat also has been further restricted, and important changes in qualities produced are taking place.

Developments in France have also been significant. The change in the application of the wheat policy that has taken place during the past month is characterized by the fact that any wheat surplus now existing is being carefully preserved. This is in contrast to efforts made during the

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winter to liquidate a large quantity of the country's stocks. Exports, denaturing, and sales of security stocks have all been stopped, though the law supporting the wheat policy of the past still exists.

Denmark is considering a renewal of its sliding grain-tariff law, expiring August 31, with some modifications which will give increased protection to prices of domestic barley through higher guiding prices for corn. It is alleged, but not confirmed, that a presentation of purchase contracts for grain and applications for foreign exchange permits will be required, in order to enable governmental direction of private grain purchases. In Sweden, the existing agricultural protection will be prolonged for another year.

The seasonal and minor activities along the line of governmental aid and control in Germany were confined during March to the usual routine ordinances. The multitude of these ordinances has made trading increasingly difficult, and there are reports that indicate some simplification for the next crop year. In Czechoslovakia, the political parties have agreed to a several years' prolongation of the grain monopoly, possibly in a somewhat relaxed form. A reform of the Polish PZPE, or State Grain Office, is also planned, whereby it will have the status of a limited liability company and be able to make intervention purchases of grain for the State, while at the same time acting as the Grain Central of the agricultural cooperatives. A reduction in the prices of common bread in Austria is expected to increase the consumption of rye rather than wheat. The 10-percent milling obligation for domestic wheat in Belgium has been abolished, after being successively reduced during the winter in accordance with changing domestic supplies.

Soviet Union

Spring weather set in at the beginning of March in Crimea, southern Ukraine, and the southern section of North Caucasus. By March 20 the seeding of early spring cereals was reported completed in Crimea as well as the Odessa and Dniepropetrovsk regions of southern Ukraine, thus showing rapid progress. The seed supplies of the collectives were reported fully assembled by March 1, when they amounted to 107 percent of requirements, as compared with 102 percent at the same time a year ago. However, exchange of seeds by collectives to obtain pedigree varieties for seeding is progressing slowly, with only 46 percent of the seeds exchanged by March 1, and seed fumigation is also lagging behind, even in regions where sowing has begun. In the case of tractor repairs, 95 percent of tractors to be repaired were reported overhauled by March 10, as compared with 98 percent in 1935. The absolute number of overhauled tractors, however, was about one-third above that of a year earlier (181,000 as compared with 136,000). The delivery of fuel to the machine-tractor stations is reported greatly behind plans,

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which, in view of the increased importance of tractors for the success of the whole spring campaign, is an unfavorable factor. Financial difficulties and considerations of the machine-tractor stations and shortage of containers are said to be the main reasons for this situation.

While shortage of soil moisture existing in the steppe regions of Ukraine can now be regarded as practically overcome (largely as a result of good winter rains) the situation is less favorable in the case of Crimea and the North Caucasus. In these sections a certain deficit of moisture continues. This is apparently the case also in the Volga area, though winter conditions prevailed during the first 3 weeks of March and the ground was covered with snow. Owing to severe freezing weather in this section of the country during the winter period, the ground is reported frozen very deep. It is feared that this may reduce its capacity to absorb the moisture from melting snow. In any case, the situation in these regions is such that both the winter seedings and the spring sowing campaign may be influenced unfavorably. Little winter wheat is grown in the Volga area but it is one of the most important spring wheat producing sections of the Union.

Reports on the conditions of winter crops are on the whole still very scarce. Strong southeast winds at different points of southern Ukraine and the North Caucasus in March, not only dried up soil but in some sections uncovered winter plants. The extent of the damage done is unknown, however. It was reported from the Dniepropetrovsk region of southern Ukraine that the thinned-out and winter-killed acreage constitutes not more than 4 percent. In the Azov-Black-Sea region 80 machine-tractor stations reported the condition of the crop as good or satisfactory. There was mention of the formation of a rather thick layer of ice in some of the central rye-growing regions of the Union in February, but no complaints were received at later dates.

The movement of wheat from the South-Russian ports in March was small. Total South-Russian shipments of wheat from the beginning of the season through March amounted to over 29,000,000 bushels this season compared with less than 2,000,000 bushels in 1934-35 and over 26,000,000 bushels in 1933-34. New offers of wheat from the Soviet Union on continental markets have been very scarce in recent weeks. It is now assumed in most quarters that there will be little or no further movement for the present at least, though it is likely that Russia still has some stocks of wheat which could be readily exported.

The Shanghai wheat market

Flour prices were steady on the Shanghai market during the week ended April 3, according to a radiogram from the Shanghai office of the Foreign Agricultural Service. Flour stocks remained low and demand continued

CROP AND MARKET PROSPECTS, CONT'D

to be fair. Upon the arrival of foreign wheat previously booked, the Shanghai mills increased their activity. A slight increase in domestic wheat arrivals was reported. In view of the good weather favoring the new crop, farmers were releasing small quantities of their reserve supplies.

Australian wheat from New South Wales was quoted on the Shanghai market at 97 cents per bushel, duty and other landing charges included. Domestic flour for April delivery was 102 cents per bag of 49 pounds, June delivery 94 cents; Australian, c.i.f. Hong Kong, \$3.40 per barrel of 196 pounds. Imports of flour into China during February were reported as follows, with 1935 comparisons in parentheses: From Australia 10,000 barrels (10,000), Canada 8,000 (7,000), United States 4,000 (28,000), total 22,000 barrels (46,000). Imports of flour from July 1, 1935, to February 29, 1936, amounted to 288,000 barrels as compared with 573,000 barrels imported in the corresponding months of 1934-35.

Flour imports into South Manchuria during February, as reported by the United States Consul at Dairen, amounted to 87,000 barrels, all from Japan. This compares with 434,000 barrels imported in February 1935, about 48 percent of which originated in Japan and 52 percent in Australia. Imports during July-February 1935-36 totaled 2,227,000 barrels as compared with 4,142,000 barrels in July-February 1934-35.

FRUIT, VEGETABLES, AND NUTS

United States apple export trends

The upward trend of apple exports ceased with the 1930-31 season and has been on a decline since that year. The chief reasons for the decline have been the world-wide business depression and the rapid increase in trade barriers which began to be felt about that time. The average import duty levied on American apples imported by European countries increased from 12 cents a bushel in the 1930-31 season to 60 cents per bushel in the 1935-36 season. In addition, import quotas, import license taxes, compensation arrangements, and other barriers have been established.

To some extent, the decline in exports may be attributed to smaller apple crops in the United States. The total apple crop has trended downward since about 1914 but this reduction has been due in a large measure to the abandonment of unsatisfactory orchards and the removal of unprofitable varieties. The commercial apple crop continued to increase up to 1926 but has shown a marked decrease since 1931.

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There has been a change in the seasonal movement of apples during the last decade. In the middle 20's, apple exports during the last half of the season, January to June, generally ranged from 27 to 43 percent, whereas in the last two seasons over 50 percent of the exports have been made in this period. This tendency of apple exports to shift toward the last half of the season is chiefly due to the desire of foreign countries to protect their own crops with seasonal duties which are higher during the first half of the season, and to increasing competition in the earlier months from homegrown crops in the various important markets. For further details, see F.S./A-445, "Trends in Apple Exports", April 9, 1936.

Argentine fruit exports increase

The 1935-36 fruit market situation in Argentina is featured by a fruit crop larger than the 1934-35 crop in most of the producing districts, new measures adopted by the Argentine Government to encourage the domestic consumption of fruit, developments in respect to enlarging the foreign market for Argentine fruit by trade agreements, and new refrigeration facilities on ocean shipments, according to a report from Agricultural Attaché P. O. Nyhus at Buenos Aires. A constantly increasing production of pears is bringing about a greater pressure on foreign markets on the part of Argentine pears. Significant amounts of pears were shipped to the New York market this season for the first time. Grape shipments to the United States will probably exceed those of last year. Fruit growers are favored by the ability of exporters to sell their export bills on the free market, a concession which is granted to few producers of export commodities in Argentina.

Shipments of grapes from January 1 to March 1 this year amounted to 71,008 boxes (of 22 pounds) compared with 68,325 boxes during the corresponding period of the preceding season. Total shipments to the United States this season are expected to exceed the export figure of 429,131 boxes for 1935. There are liberal supplies of melons this year but few country dealers are making shipments to the United States because of unsatisfactory returns from consignments to New York in preceding years. The shipment of pears in volume to the United States is one of the new developments in the export fruit trade. During 1935 the total exports were 3,755 boxes of 44 pounds. In January and February of this year the shipments amounted to 14,487 boxes. Exports to the United States, however, are only about 10 percent of the total pear exports, but exporters and the Fruit Section of the Argentine Ministry of Agriculture are hopeful for a much larger pear market in the United States in future. See release F.S./A-446, "The Argentine Fresh Fruit Export Season", April 10, 1936.

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Chile ships more fresh fruit to United States markets

There has been a constant expansion in the fruit growing industry in Chile, similar to the expansion in Argentina, with a tendency to a greater diversification in fruit production than obtains in Argentina, according to a report from Agricultural Attaché P. O. Nyhus at Buenos Aires. A larger than usual export movement to the United States is under way this season. It is reported that shipments of grapes will reach 40,000 to 50,000 boxes this year, compared with 20,000 to 25,000 boxes in 1935. An anticipated movement of 10,000 to 15,000 crates of melons is likewise larger than last year. It is stated that peaches and nectarines are being shipped to the United States in small volume this year, probably for the first time.

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LIVESTOCK, MEAT, AND WOOLDanish dairy cattle situation improved

The systematic slaughter of unprofitable and diseased cows since 1932 has contributed materially in improving the economic position of the Danish dairy industry, according to Agricultural Commissioner H. E. Reed at Berlin. The slaughter program has been an important factor in advancing the price of Danish cattle and in offsetting somewhat the unfavorable conditions developed prior to 1932 as a result of increasing cattle numbers, production, and declining world prices for butter.

The unfavorable factors which preceded the current cattle slaughter program became so serious in 1932 as to force government action. A subsidized slaughter program was inaugurated, with over 22,000 head of old cows being destroyed in 1932. Inadequate financing forced a reorganization of the plan in 1933, the main point of which was the establishment of a fixed tax on all cattle weighing more than 77 pounds dressed weight, slaughtered for domestic consumption. Subsequently the tax was based upon a graduated scale with the heavier animals bearing the heavier tax. A total of about 350,000 head of cows was destroyed during the 3 years 1932-1935.

Total cattle numbers declined about 5 percent from 1932 to 1935. The decline in the number of cows over 1 year old amounted to 5.3 percent. During the same period, however, there was an increase of 2 percent in the number of calves under 1 year old. The downward movement in calf numbers reached its low point in 1933. The 1935 figures for that class show an

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increase of 14.3 percent over the 1933 figures. This suggests a desirable increase in the proportion of young productive animals in the Danish dairy herds.

DENMARK: Cattle number, 1929 to 1935

Classification	: 1929	: 1930	: 1931	: 1932	: 1933	: 1934	: 1935
	: Thou-	: Thou-	: Thou-	: Thou-	: Thou-	: Thou-	: Thou-
	: sands:	: sands:	: sands:	: sands:	: sands:	: sands:	: sands:
Bulls over 1 year.....	75 :	73 :	79 :	87 :	78 :	64 :	62
Oxen over 1 year.....	78 :	59 :	54 :	62 :	59 :	47 :	50
Cows and heifers over 2	:	:	:	:	:	:	:
years which have calved..	1,556 :	1,608 :	1,676 :	1,739 :	1,770 :	1,718 :	1,646
Heifers 1 to 2 years.....	545 :	543 :	566 :	582 :	542 :	518 :	532
Calves under 1 year.....	735 :	774 :	833 :	767 :	685 :	714 :	783
Total.....	2,989 :	3,057 :	3,208 :	3,237 :	3,134 :	3,061 :	3,073

International Institute of Agriculture, Rome.

Danish hog slaughter smaller and prices higher in 1935

Danish inspected hog slaughter in 1935, at 4,331,000 head, was 11.5 percent smaller than in 1934, and 44.7 percent below the high point reached in 1932, according to Vice Consul E. Gjøsing at Copenhagen. Danish prices of export bacon were higher during the year, averaging 158.85 krone per 100 kilos (\$15.77 per 100 pounds). The reduced output, however, brought the total export value of all hog products down to 427,000,000 krone (\$93,442,118) against 450,600,000 krone (\$101,385,000) in 1934, and 484,000,000 krone (\$92,298,800) in 1933.

About 84 percent of the hogs slaughtered in 1935 were sent to British bacon markets, as against about 81 percent in 1934. Shipments to Great Britain averaged about 74,000 hogs weekly, against about 75,000 in 1934, and 102,000 weekly in 1933. The shipments are governed by the British import control program, and form the basis for the Danish hog marketing control plan. The basic bacon hog prices are set in accordance with British bacon prices, and cards are issued periodically to cover the number of hogs eligible to receive the export price. In 1935, cards were issued to cover 4,027,000 hogs, representing 90 percent of the total inspected slaughter of hogs.

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THE FILBERT SITUATION IN THE MEDITERRANEAN BASIN COUNTRIES

The 1935 production of filberts in areas of commercial importance in Italy, Spain, and Turkey is now estimated at 111,500 short tons of unshelled nuts, according to a preliminary report from N. I. Nielsen, Agricultural Attaché at Paris. This is well above early-season forecasts due entirely to the fact that the Turkish crop turned out to be larger than expected. The new crop compares with 99,500 tons estimated to have been produced in 1934 and the 6-year average for 1929-1934 of 90,750 tons.

At the opening of the present season (September 1, 1935), as far as can be determined, approximately 13,500 tons of old-crop unshelled filberts were on hand. This carry-over, together with the 1935 crop of 111,500 tons brought the 1935-36 supplies to about 125,000 tons. This represented an increase of 13 percent over the 1934-35 supplies of 110,500 tons composed of the 1934 crop of 99,500 tons and an estimated carry-over of 11,000 tons.

Available information indicates that from the opening of the current season to the end of February 1936, Italy, Spain, and Turkey exported an equivalent of 88,860 tons of filberts on an unshelled basis. This was an increase of 30 percent over the shipments made during the corresponding 6-month period of 1934-35 which amounted to 68,245 short tons. Since the increase in exports is much greater than the increase in available supplies this year, it is believed that on March 1, 1936, total filbert stocks in the three producing countries of the Mediterranean Basin were smaller than those in existence a year earlier.

A greater demand and higher prices than those prevailing last year have characterized this season's filbert situation. Until such time as something definite can be said about the 1936 crop prospects, it is not believed that any definite change will take place in the price situation.

Production and supplies

In July 1935 the combined 1935 production of filberts on an unshelled basis in Italy, Spain, and Turkey was forecast at 96,000 short tons. This was subsequently reduced to 92,000 tons. On the basis of exports to-date and stocks reported available, however, it now appears that this combined 1935 filbert production approximated 111,500 tons. This is 12 percent above the 1934 production and 23 percent larger than the 6-year average for 1929-1934. Furthermore, and with the exception of 1932, this was the largest crop in recent years.

As far as can be determined, the 1935 filbert crop of Italy was about 15,500 short tons, of which some 60 percent was produced in the Naples district and 40 percent in Sicily. For Italy as a whole, this is a relatively

THE FILBERT SITUATION IN THE MEDITERRANEAN BASIN COUNTRIES, CONT'D

small crop as the 1934 filbert production was estimated at 26,000 tons while the 6-year average for 1929-1934 amounted to 20,750 tons. In Sicily, early season prospects were fairly good but the warm May winds caused heavy damage which brought the crop down to a little less than that of 1934. Since stocks of Sicilian filberts on September 1, 1935, were small, the total supplies were lower than those of the preceding year. The real shortage in the Italian filbert production was in the Naples district where the crop was between 40 and 50 percent below that of 1934. Old-crop stocks in this district were not much of a factor at the beginning of either season.

FILBERTS: Estimated production in Mediterranean Basin countries,
1929 to 1935

Year	Italy		Spain		Turkey		Total
	Naples district						
	and Sicily						
	Short tons		Short tons		Short tons		Short tons
1929.....	10,000	:	39,400	:	10,600	:	60,000
1930.....	17,000	:	10,500	:	66,000	:	93,500
1931.....	26,000	:	24,000	:	37,000	:	67,000
1932.....	40,000	:	55,000	:	56,000	:	131,000
1933.....	5,500	:	14,000	:	54,000	:	73,500
1934.....	26,000	:	33,000	:	35,500	:	99,500
Average.....	20,750	:	26,800	:	43,200	:	90,750
1935 preliminary....	15,500	:	22,000	:	74,000	:	111,500

Paris office, Foreign Agricultural Service.

The 1935 filbert crop of Spain was also small, being estimated at 22,000 tons or 18 percent below the 6-year average for 1929-1934. Since weather conditions were in general favorable, this comparatively light production was a normal consequence of the heavy 1934 crop. In addition to the 38,000 tons estimated to have been produced during that year, there was a substantial carry-over from the preceding season so that supplies in 1934-35 were very large. Although exports of Spanish filberts during the 1934-35 season were large, stocks available on September 1, 1935, were greater than those in existence on the same date in 1934. While it is difficult to estimate the 1935-36 total supplies of Spanish filberts, it is probable that they were between 25 and 30 percent smaller than those of 1934-35.

Official production statistics are lacking but according to the trade the 1935 Turkish filbert crop was the largest in recent years, being estimated at 74,000 tons compared with the 1934 estimated production of 35,500 tons. Old-crop stocks on hand at the opening of the 1934 and 1935 seasons were not of great importance so that total available supplies during these 2 years were represented by the quantities produced.

THE FILBERT SITUATION IN THE MEDITERRANEAN BASIN COUNTRIES, CONT'D

Exports

Because of the suspension of publication of official trade statistics in Turkey and Italy, it is necessary to use as a basis the trade estimates of shipments and the official import statistics of the most important consuming countries.

It is estimated that during the 6-month period September 1, 1935, to February 29, 1936, Italy exported about 10,000 tons of unshelled filberts and 1,400 tons of the shelled product. Combined on an unshelled basis, these exports amounted to about 13,080 tons as compared with some 21,400 tons exported during the corresponding period of 1934-35, a decrease of about 40 percent. This decrease in exports, however, is not far out of line with the difference in available supplies during the two seasons, indicating that the Italian filbert export trade has not been hampered by political disturbances. Exports in 1934-35 for the complete season were 37 percent above the average for the seasons 1929-30 to 1933-34, which stood at 17,277 short tons. The average indicated includes the unusually low export season 1933-34, when the outward movement was less than half of the 1934-35 figure, and considerably smaller than the exports of other recent years. Average exports from Italy and Spain have been about equal since 1929-30, and have been about 54 percent smaller than exports from Turkey.

FILBERTS: Exports from Mediterranean Basin countries,
1929-30 to 1935-36
(Unshelled basis)

Year	Italy	Spain	Turkey	Total
	Short tons	Short tons	Short tons	Short tons
1929-30.....	13,400	29,728	9,815	52,943
1930-31.....	14,242	6,441	63,048	83,731
1931-32.....	19,835	16,614	33,917	70,366
1932-33.....	29,297	13,483	50,000	92,780
1933-34.....	9,363	18,415	48,900	76,678
1934-35.....	23,609	26,898	34,500	85,007
Average.....	18,291	18,597	40,030	76,918
To end of February				
1934-35.....	21,399	15,696	31,150	68,245
1935-36.....	a/ 13,080	17,280	a/ 58,500	88,360

Paris office, Foreign Agricultural Service. Shelling ratio Italy and Spain 2.2 to 1, Turkey 2.5 to 1.

a/ Since official trade statistics are lacking for Italy and Turkey, it has been necessary to estimate shipments.

THE FILBERT SITUATION IN THE MEDITERRANEAN BASIN COUNTRIES, CONT'D

Exports of Spanish filberts during the 6-month period September 1, 1935, to February 29, 1936, amounted to 5,900 tons of the shelled product and 4,300 tons of unshelled. The combined exports on an unshelled basis amounted to an equivalent of 17,280 tons of 10 percent more than were shipped during the same period of the preceding season.

Total supplies of filberts for the current season in Turkey were unusually heavy and about twice what they were for the 1934-35 season. In line with this, exports have also been large. As far as can be determined, exports of Turkish filberts during the 6-month period September 1, 1935, to February 29, 1936, amounted to 20,000 tons of the shelled product and about 8,500 tons of unshelled. The combined exports on an unshelled basis amounted to 56,500 tons, or 88 percent more than were exported during the same period of the preceding season. In spite of these heavy shipments, however, filbert stocks were still quite large on March 1, 1936, and while a good portion of these will no doubt be exported before September 1, it is expected that Turkey will open the new season with some old-crop nuts on hand.

Prices

The first half of the 1935-36 season has been unusual in that the important consuming countries bought substantially more filberts at higher prices than they did in the first half of 1934-35. Such a situation was not entirely expected in view of existing trade restrictions and the application of sanctions against Italy by the majority of the European countries. Of course, the fact that the 1935 crop was exceptionally large in Turkey and somewhat smaller in both Italy and Spain was perhaps, in some measure, responsible since the German-Turkish clearing agreement facilitates particularly the sale of Turkish agricultural products to Germany. It is believed that during the first half of the 1935-36 season Germany imported more filberts than ever before in a similar period. Had the large supplies been in Italy and Spain instead of in Turkey, however, it is likely that Germany's purchases would have been somewhat smaller, due to the lack of clearing agreements between these two countries and Germany.

Part of the increase in the world demand for filberts, however, is probably due to improved economic conditions as both England and the United States, where trade in nuts is not restricted beyond the tariff, took larger quantities. The United States normally buys practically all of its requirements of foreign unshelled filberts from the Naples district and it is interesting to note that in spite of the reduced supplies in that district and the somewhat higher prices, American purchases from September 1 to December 31, 1935, were slightly larger than those of the same period in the preceding season.

THE FILBERT SITUATION IN THE MEDITERRANEAN BASIN COUNTRIES, CONT'D

FILBERTS: Imports into the United States from specified countries,
crop years 1928-29 to 1935-36

Year	September-August					
	Spain	France	Italy	Turkey	Others	Total
	Short tons	Short tons	Short tons	Short tons	Short tons	Short tons
UNSHELLED						
1928-29.....	314	103	5,104	9	22	5,532
1929-30.....	396	43	1,900	-	81	2,420
1930-31.....	211	67	2,256	411	52	2,997
1931-32.....	37	-	3,003	-	-	3,040
1932-33.....	42	-	2,987	-	22	3,051
1933-34.....	470	-	719	88	23	1,300
1934-35.....	24	-	1,173	7	4	1,208
September-December						
1934-35.....	18	-	1,100	7	0	1,125
1935-36.....	374	-	1,277	16	16	1,683
SHELLED						
1928-29.....	970	487	344	828	138	2,767
1929-30.....	1,329	86	362	299	37	2,113
1930-31.....	17	166	173	1,772	230	2,358
1931-32.....	213	48	173	777	4	a/1,253
1932-33.....	133	22	168	1,227	4	1,554
1933-34.....	221	8	20	750	3	1,002
1934-35.....	319	20	235	447	3	b/1,035
September-December						
1934-35.....	73	5	93	274	3	448
1935-36.....	106	4	102	250	3	465

Paris office, Foreign Agricultural Service.

a/ Includes 38 tons from Russia. b/ Includes 11 tons from Russia.

FILBERTS: Price per pound of specified varieties in Italy and Spain,
March 4, 1936, with comparisons

Classification	1934 crop				1935 crop			
	Sept.	Dec.	Sept.	Dec.	Jan.	Feb.	Mar.	
	8	12	10	10	27	26	4	
UNSHELLED	Cents	Cents	Cents	Cents	Cents	Cents	Cents	
Italy								
Sicily, average quality.....	6.8	7.9	10.5	7.6	-	-	7.5	
Naples, Long Selected.....	7.3	9.3	10.4	9.9	11.7	11.7	-	
Spain, current quality.....	6.5	7.3	7.8	8.7	8.7	8.7	8.7	
SHELLED								
Spain, Selected (Prima).....	14.5	16.8	-	20.0	19.7	20.4	20.2	

Paris office, Foreign Agricultural Service. Prices quoted c.i.f. New York and converted from lire and shillings at the rate on the day of the quotation.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE a/

Introduction

This study presents the result of an analysis of factors affecting the price of raw silk in the United States and the significance of the silk-price situation to American-Japanese trade relations. Raw silk and raw cotton have been the mainstays in the trade between the two countries. During the past decade the United States purchased over 90 percent of the total Japanese raw-silk exports. Prior to 1933 these accounted for about 80 percent of the total value of the United States imports from Japan.

Since raw silk represents such a large part of Japanese exports to the United States, it is clear that changes in the value of these exports have an important bearing on Japanese purchasing power for American products, of which cotton is by far the most important. Japan has steadily risen to the position of the principal consumer of American raw cotton, taking over 25 percent of our cotton exports during the last 3 years. The average annual value of these cotton shipments represented 55 percent of the total value of United States exports to Japan.

Historically, the United States has had a passive (unfavorable) merchandise trade balance with Japan. The collapse of silk prices during the last 5 years, however, served as the principal factor in reversing this passive to an active (favorable) balance. Any substantial increase in the value of American raw silk imports would tend to shift the balance in favor of Japan. Continued low prices for silk, on the other hand, would tend to maintain a balance unfavorable to Japan, thus tending either to increase the pressure of other Japanese goods on the American market or to diminish greatly our exports to Japan. The analysis of the relationship between silk prices, silk consumption, rayon competition, and economic conditions in the United States, indicates, however, that the value of silk imports into the United States during 1936-1937 will be substantially above that of the immediately preceding years. It also indicates that the rise in the value of silk imports may be sufficient to result in a balance of trade favorable to Japan.

Japanese silk production and consumption

Japan accounts for the greater portion of raw silk produced in the world; during the period 1928-1934 the country's average annual production amounted to 78 percent of the world's total. For the last 40 years the production of raw silk in Japan has been steadily increasing. Japan's production during the pre-war period 1909-1913 amounted to an average of 28,000,000 pounds per year. The output during the 1920-1924 period averaged 54,000,000 pounds per year. The output and domestic consumption since then are given in the following table.

a/ Prepared by G. L. Dawson, Agricultural Commissioner at Shanghai, and W. Ladefjinsky, Foreign Agricultural Service Division.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

SILK (RAW): Production and consumption in Japan, 1924-1934

Year	Production	Consumption	
		Amount	Share of production
	Million pounds	Million pounds	Percent
1925.....	68	--	--
1926.....	76	17	22.3
1927.....	81	15	18.5
1928.....	87	19	22.0
1929.....	93	18	19.3
1930.....	94	22	23.4
1931.....	96	23	24.0
1932.....	95	28	29.4
1933.....	94	29	30.8
1934.....	978	33	33.6

Compiled from the "Statistical Abstract" of the Japanese Ministry of Agriculture and Forestry and "Oriental Economist", June, 1935.

Until 1929 the domestic market absorbed around 17,000,000 pounds of silk annually, but since that year domestic consumption has increased sharply, reaching a total of 33,000,000 in 1934. The share of Japanese silk exports during 1925-1929 decreased from an annual average of 80 percent to 66.5 percent in 1934. It is to be noted, however, that not all of the expanding raw-silk consumption at home represented enlarged domestic demand for finished silk goods, since much of what is accounted for under "home consumption" is manufactured into silk fabrics and exported.

Value of exports

Japanese raw silk exports, which reached their peak in 1929, have since declined. But, considering the severity of the depression, the falling off in the volume of exports was not pronounced. In 1934 it was only 13 percent below the 1929 exports. Quantitatively then, the raw silk exports have kept up well, but the decline in value has been disastrous as may be seen from the following figures.

SILK (RAW): Exports from Japan, 1924-1935

Year	Quantity	Value
	Million pounds	Million yen
1924-1928 average.....	61	755
1929.....	77	781
1930.....	63	417
1931.....	74	355
1932.....	73	382
1933.....	63	391
1934.....	67	287
January-September 1935.....	54	265

Compiled from official Japanese sources and records of the United States Tariff Commission.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

The decline in value set in during the season of 1929-30. Prior to that the export value of Japanese raw silk played such an important part in the national economy that the country "paid its way internationally with raw silk." Today this no longer holds true, since during the last 5 years the value of Japanese silk exports has proved incapable of maintaining itself on the pre-1930 level. The following table shows how the role of silk in Japan's export trade has changed.

SILK (RAW AND MANUFACTURED): Share in total value
of Japanese exports, 1929-1934

Year	Percentage of raw silk Percent	Percentage of silk, raw and manufactured Percent
1929.....	27.0	44.0
1930.....	29.0	33.3
1931.....	31.2	35.0
1932.....	27.4	31.0
1933.....	21.1	24.5
1934.....	13.0	17.0

Compiled from "The Japan Advertiser", Annual Review, 1934-1935.

These figures indicate that, while in 1929 raw silk accounted for 27 percent of total Japanese exports, in 1934 the share had fallen to 13 percent. When raw silk and raw-silk fabric exports are combined, they show a decline from 44 percent of total value in 1929 to only 17 percent in 1934. This decline has been compensated partly by an increase in other exports, such as cotton cloth which, in 1934, accounted for 23 percent of the total value of Japanese exports. When the decline in the value of Japanese raw-silk exports is regarded solely from the point of view of foreign trade as a whole, the decrease has its advantages, since it has reduced Japan's dependence upon the sale of a single commodity. On the other hand, when the same development is viewed against the background of Japan's agricultural economy, it may be agreed that the decline in the value of silk exports spelled disaster to some 40 percent of the farm population.

Distribution of raw silk exports

By far the greater part of the Japanese silk exports goes to the United States, as shown in the tabulation on the following page, which gives the percentage of silk exports taken by each importing country.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

SILK (RAW): Percentage distribution of Japanese exports, 1929-1934

Year	United States	Canada	France	England	Other	Total
	Percent	Percent	Percent	Percent	Percent	Percent
1929.....	96.7	0.7	1.7	0.5	0.4	100
1930.....	95.7	0.9	1.9	0.7	0.8	100
1931.....	96.1	0.5	1.4	1.3	.7	100
1932.....	94.2	0.3	1.9	2.4	1.2	100
1933.....	91.0	-	3.9	3.7	1.4	100
1934.....	83.5	-	7.0	5.1	4.4	100

Compiled from official Japanese sources.

Raw silk exports to the United States have been decreasing since the peak of 1929. Conversely, shipments to Europe have increased, especially since 1932. The increased volume of shipments to Europe is looked upon, however, as a temporary phenomenon, and it is attributed mainly to the reduced cost of Japanese raw silk in terms of world currencies, due to altered foreign exchange conditions. In the face of a depreciated yen currency, silk producers of Italy and Spain have found it hard to compete with Japanese silk. Chinese raw silk, once a close rival of Japanese, has been for the time being practically wiped out as an export product, subjected as it has been to adverse effects of a cheap yen, sharp fluctuations of the silver exchange, and a declining agricultural technique.

The United States and Japanese silk

One of the chief causes of the remarkable development of the raw silk industry in Japan was the enormous American demand for silk. During the period 1916-1929, the yearly shipments of silk to the United States amounted to almost 95 percent of the total Japanese silk shipped abroad. In the years of depression, the United States still accounted for almost 90 percent of Japan's total silk exports. The following table shows the source of the United States silk imports.

SILK (RAW): Imports into the United States by country of origin, 1926-1934

Year	Japanese	Chinese	European	Total	Japanese share
	Million	Million	Million	Million	of total
	pounds	pounds	pounds	pounds	pounds
1926.....	53.8	1.4	10.5	64.7	81.9
1927.....	61.8	.6	11.6	74.0	83.5
1928.....	64.1	.8	10.5	75.4	85.0
1929.....	69.8	2.4	14.9	87.1	80.1
1930.....	59.9	3.9	9.9	73.7	81.3
1931.....	69.5	4.5	9.8	83.8	82.9
1932.....	69.1	2.4	2.5	74.0	93.4
1933.....	60.2	3.3	3.8	67.3	89.5
1934.....	55.0	.3	1.1	56.4	97.5

Compiled from Foreign Commerce and Navigation of the United States.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

The fall in the price of silk from \$5.10 per pound in 1929 to \$1.30 in 1934 was reflected in the total value of the United States silk imports since 1929 as illustrated in the following table.

SILK (RAW): Value of United States imports from Japan
1929-1934

Year	Japan	Total
	Million dollars	Million dollars
1929.....	356.0	427.0
1930.....	221.4	263.0
1931.....	163.0	191.2
1932.....	106.0	113.8
1933.....	91.6	102.5
1934.....	69.8	71.7

Foreign Commerce and Navigation of the United States.

In 1929, when the value of the Japanese silk exports to the United States amounted to \$356,000,000, the quantity was nearly 70,000,000 pounds, and in 1931 when the value of the exports was down to \$163,000,000, the volume was practically the same as that of 1929. At the same time the gold standard was maintained both in the United States and Japan. In 1932, when the yen went off the gold standard and fell sharply in relation to the dollar, the price of silk during the next few months was almost double the price in 1931. When, as a result of this increase, however, the demand for silk in the United States fell off, the price declined sharply in terms of dollars to almost the same price in yen as before Japan went off the gold standard.

The trade in cotton and silk

The trade between the two countries consists chiefly of raw cotton, which represented the greater part of the total American exports to Japan, and of raw silk, representing the principal item in the United States imports from Japan. Prior to 1933, the value of Japanese raw silk imports accounted for about 80 percent of the total value of the United States imports from Japan. With the decline of silk prices following the sharp breaks of 1930 and 1931, the dollar value of silk in the total American imports from Japan declined in 1933, 1934, and 1935 to 71, 58, and 60 percent, respectively. The value of American cotton exports to Japan during 1933, 1934, and 1935 accounted for 61, 55, and 49 percent of the total value of the exports to Japan for the respective years.

A characteristic feature of the trade in those two commodities during the period 1932-1934 was that, whereas Japanese silk sold in the United States at record low price levels, the price of American cotton marketed in

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

Japan showed a considerable recovery. This enabled the United States to buy in 1932 practically the same amount of Japanese raw silk as in 1929. With silk prices having already reached low levels in 1932, the same trend on a smaller scale continued through 1933 and 1934. In the case of cotton the opposite trend took place. In 1932, Japan paid \$86,000,000 for 2,249,000 bales of American cotton, while in 1934 the value of the 1,737,000 bales imported amounted to \$112,000,000. Japan's trade balance with the United States improved considerably in 1935, chiefly due to the fact that the price of American cotton during the year remained at about the 1934 level, with consumption declining about 8 percent, while the silk price rose from a low of \$1.35 per pound in the middle of the year to around \$2.00 per pound toward the end of the year, with an increase in consumption of about 10 percent.

United States-Japan trade balance

Japan's passive (unfavorable) balance with the world as a whole declined from an average of 203,000,000 and 122,000,000 yen during the periods 1925-1927 and 1928-1930, respectively, to an average of 62,000,000 yen during 1932-1934. But considering Japan's balance with the United States and the rest of the world separately, it is noted that, while prior to 1932 Japan had an active (favorable) balance with the former and a passive with the latter, the situation has been reversed since 1932. During the years 1932, 1933, and 1934, Japan's passive balance with the United States amounted to \$90,000, \$14,900,000, and \$92,000,000, respectively.

This reversal in the balance of trade between the two countries may be attributed chiefly to the fall in the price of raw silk in recent years. In 1935 Japan's passive balance with the United States declined to \$51,000,000. The main factors in this case seem to be a decline in the value of cotton imports from the United States and an increase in the exports of silk to the United States, coincident with a rise in the price of silk during the latter part of the year. It is likely that in 1936 Japan's passive balance will decline still further to around \$25,000,000. This estimate rests on our study, indicating that the present silk prices will hold through 1936 and that consumption of Japanese silk in the United States will remain around the 1935 level. Assuming that the 1936 Japanese cotton imports from the United States will equal the 1935 volume, and that there will be no material change in other items of trade, the value of Japanese exports to the United States will increase by some \$25,000,000 even if silk should sell, not at \$2.00 as was the case towards the end of 1935, but at an average of \$1.80 per pound. The trade balance between the United States and Japan is shown in the table on the following page.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

UNITED STATES: Trade with Japan, average 1924-1928, annual 1930-1935

Item	Unit	1924- 1928 average	1930	1931	1932	1933	1934	1935
Exports to Japan.....	Million dollars	257.3	164.6	155.7	134.9	143.3	210.4	202.5
Imports from Japan.....	"	382.3	279.0	206.3	134.0	128.4	118.0	151.3
Balance.....	"	-125.0	-114.4	-50.6	+9.9	+14.9	+92.4	+51.2
Cotton exports...	"		65.9	79.7	85.9	86.7	112.2	98.6
Silk imports....	"		221.5	163.1	106.2	91.7	69.8	90.0
Cotton exports.....	1,000 bales		889	1,744	2,249	1,814	1,737	1,518
Silk imports.....	1,000 pounds		59,918	69,926	69,137	60,213	57,989	63,800

Compiled from official records of the Department of Commerce.

The outlook for silk

An analysis of the conditions prevailing in the Japanese silk industry in recent years, and of the elements affecting United States imports of Japanese silk, lead to the following main conclusions concerning the prospects for 1936 and subsequent years.

(1) Consumption of silk would decline if the price should advance above a certain level; with an equal decline in price, however, there would not be a proportionate increase in silk consumption.

(2) When during the period 1929-1934 the prices of silk were declining sharply, world production did not decline proportionally.

(3) The visible supply increased during the period of price decline in 1929-1934.

(4) There is a high positive correlation between the business conditions in the United States and the price of silk.

(5) The consumption of rayon continued to increase during the 1929-1933 period of silk-price decline, but not until 1933 did the consumption of rayon have a marked adverse effect upon silk consumption.

(6) For the years 1936 and 1937 the price of silk is expected to be above the low levels of 1932-1934, unless silk production is appreciably increased and business recovery in the United States is interrupted. The price is not expected to attain the high levels that prevailed between 1919 and 1929.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

A summary of the statistical analysis upon which the above conclusions are based follows:

Chart A, showing silk consumption in the United States, illustrates the trend in silk consumption which came to a turning point in 1929 and then declined to present levels. Prices declined from 1929 until the middle of 1935, when they began to recover coincident with the business recovery in the United States, and they are expected to be maintained at the present level during 1936. What happens to the price of silk after 1936 will be determined by three factors: (1) World supply of silk, which is closely associated with price; (2) demand, which is governed largely by business conditions in the United States; and (3) competition of rayon, which, according to our analysis, has been an important factor only since 1933.

Chart B, showing the relation between silk prices and consumption in the United States indicates that, when prices have been at high levels, a rise of \$1.00 per pound was associated with a decline in consumption of about 10,000,000 pounds; but when prices were at lower levels a rise of \$1.00 was associated with a decline in consumption of 5,000,000 pounds. Chart C shows the differences in consumption measured from the curve for the different years as related to business conditions. a/ A change in the index of industrial production of 10 points has been associated on the average with a change in silk consumption, amounting to 5,000,000 pounds. This means that with the price remaining the same, an increase in the business index of 10 points would tend to increase silk consumption by about 5,000,000 pounds. During the years 1919, 1931, and 1932, silk consumption was higher than could be explained by factors of price and business conditions. For the years 1933-1936 consumption of silk was lower than these two factors would indicate. It appears that for 1933-1936 rayon has been, and will be, a factor in reducing silk consumption. b/

In view of the relationships shown in the above-mentioned charts and the fairly favorable prospect for business improvement for the next few years in the United States, it does not appear that silk prices will fall to the low levels of 1932-1934, unless production is appreciably increased.

a/ In Chart B the average price per pound of raw silk in the United States has been plotted against the consumption of silk during the same year. The full line indicates the estimated relation between price and consumption. Deviations from the line for any given price indicate that consumption during this year was higher (or lower, as the case may be) than was to be expected from this relation. Positive and negative deviations for each year were then measured and plotted against industrial production to see if the differences could be accounted for by this factor. This is shown in Chart C, the deviations having been taken directly from chart B.

b/ The volume of silk and rayon consumption for 1936 is estimated.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

On the other hand, it is not expected that silk prices will reach the high levels of 1919-1929. It is quite probable that the relation curve of silk consumption (chart B) to price will shift downward. In the estimate for 1936 an allowance for such a shift was made. If, in the next few years, rayon should continue to be a factor in reducing silk consumption, the amount of silk consumed at different prices may be illustrated by a curve approximately in the position of the lower curve. This curve assumes an almost 50-percent decline in the consumption of silk in woven goods but only a small loss in knit goods.

Rayon versus silk

In the analysis of the outlook it is assumed that no further decrease in rayon prices during 1936 will take place. This assumption seems well supported because of recent rises in rayon after a decline, and improved general conditions supporting the rise in prices. Our studies have failed to show any appreciable effect of silk prices on rayon prices (see chart D). It is difficult to analyze the causes of rayon price developments without considerable study and access to data on costs, but it seems that the downward trend in rayon prices was due to competition within the industry, coupled with improved methods of production and consequent reduction of costs.

Since 1933 rayon competition has evidently affected the use of silk to some extent in broad woven goods, particularly dress goods. Even if rayon prices are not reduced in the near future, improved methods of adaptation are expected to increase its uses in these goods. The aggregate consumption of rayon yarn used in the production of broad woven goods in 1933 exceeded the aggregate rayon consumption in all textile mills the preceding year. Fabrics in chief value of rayon represented 57 percent of the total yardage of all types of broad goods (exclusive of silk fabrics) woven in silk and rayon-making mills in 1933 as against only slightly more than 17 percent of the aggregate yardage in 1929.

Rayon consumption still shows an upward trend, which has continued since 1920, while the decline in silk consumption since 1929 has apparently been arrested. The rise in the consumption of silk in 1935 over that of 1934 seems to indicate this fact. For the next few years it is difficult to predict to what extent the increase in rayon consumption will affect silk consumption. Silk seems to be in a good position to maintain its place in the knit-goods field and to withstand considerable price pressure. Increase in the knit-goods field, with improvement in general conditions, will partially offset losses in the woven-goods field, but it is not expected that silk will regain the ground lost since 1929. Assuming a severe reduction of 50 percent in silk for woven goods, coupled with little or no change in knit goods, the total consumption of silk in America would still

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

be around 50,000,000 pounds per year. Judging by supply and price relationships in the past and the silk production control in Japan which is being instituted now, the value of silk imports from Japan for the next few years can be maintained near \$100,000,000, or close to the equivalent value of American cotton exports to Japan.

Price and world supply of silk

It seems necessary, in order to maintain the conservative price now prevailing, that production be held down. Chart E shows the trend in world supply and in raw silk prices in the United States from 1925 through 1935. The trend in the former has been upward and that of the latter downward, except for the 2 years 1934 and 1935. An increase in the world visible supply of 20,000 bales has been associated roughly with a price decrease of \$50 per bale. This is, of course, modified by demand factors. Chart F shows the visible supply increasing from 1930 to 1933, although production was lower. This also helps to explain chart G, according to which declines in world production from 1930 to 1934 were not associated with higher prices. A further decline in 1935 has been followed by higher prices as supplies have been brought more into line with requirements. It appears, however, that prices have not risen as much as they would have under former conditions, thus indicating a somewhat lower demand. With the improved demand conditions anticipated, a world supply near present levels should command somewhat higher prices in the United States than those we have assumed in our analysis (an increase from \$1.35 to \$1.80).

Control of silk production and prices in Japan a/

Our study indicates (see charts I and J) that the size of the cocoon crop in Japan did not decline with the decline in prices of the preceding year as would be expected, but on the contrary actually showed a slight tendency to increase with the decrease in silk prices. Chart H shows the relation between the price and supply of raw silk in Japan. Although there is an apparent high correlation between price and supply, the evidence here is not conclusive, due, among other things, to the high positive correlation which exists between supply of silk and other factors which affect the price. Among the most important of these other factors are general business activity and the price of rayon in the United States.

To bring about a better relationship between production and prices and to lift prices above the unprofitable level, the Japanese Government

a/ For a detailed discussion of Japanese silk control, see "Foreign Crops and Markets", March 2, 1936.

THE POSITION OF SILK IN UNITED STATES-JAPANESE TRADE, CONT'D

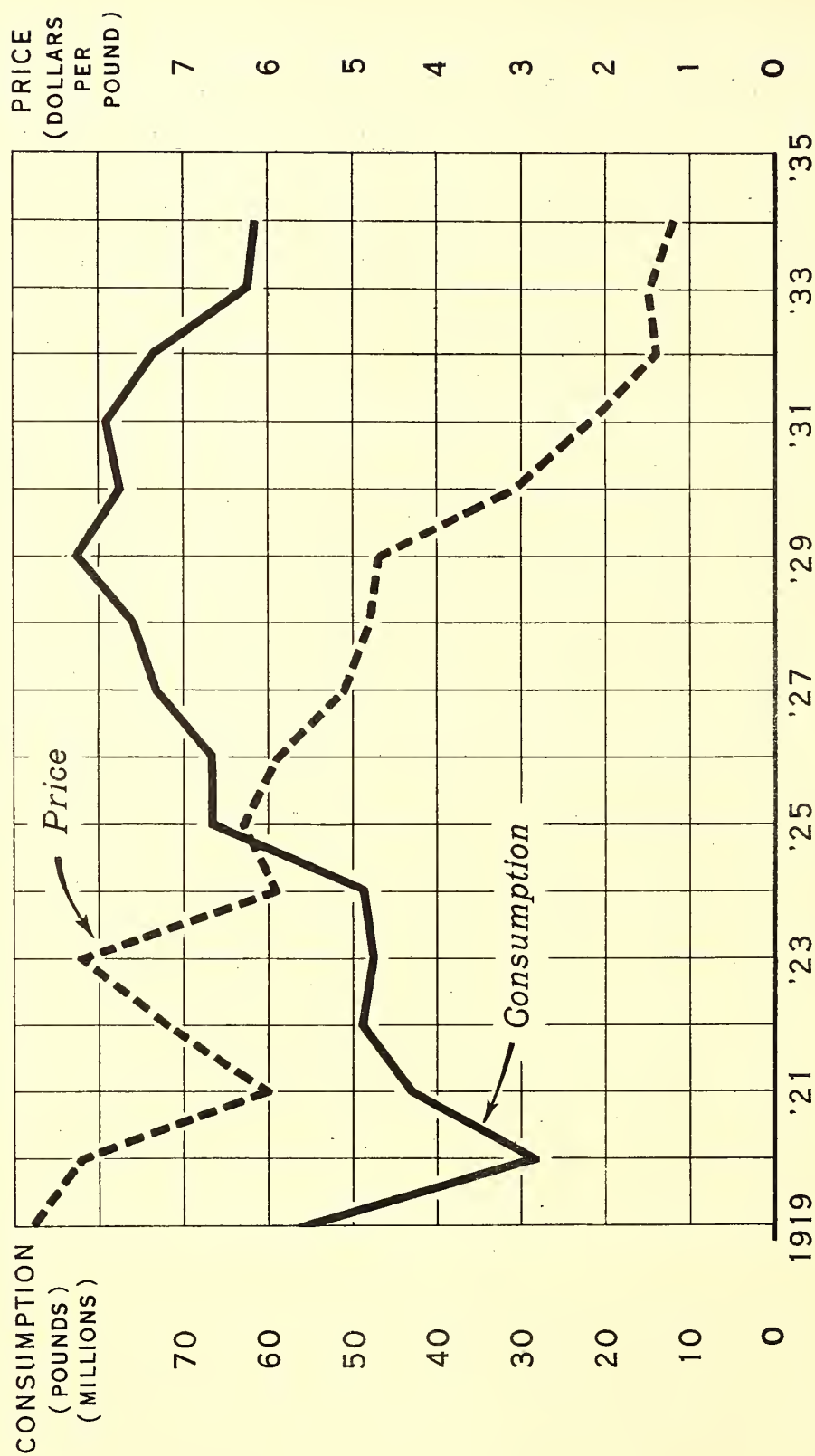
has been seriously considering in 1934-35 the problem of controlling silk production. The history of the Japanese silk industry during the last 25 years is replete with attempts to maintain the price of silk by means of government loans and subsidies, government purchases of surplus silk, and restrictions of silk sales and output. Since the economic depression of 1930, it has become fairly obvious that the raw silk industry is in need of more than temporary government measures to meet the slump of the silk market.

The existing situation is compelling the Government to examine thoroughly and prescribe new remedies for the various branches of the industry. Throughout, the attitude of the Japanese authorities has been in favor of price maintenance for silk as a high-quality fiber. With this in mind, the Government has inaugurated a program of reducing by 400,000 acres the total mulberry area, which amounted in recent years to 1,500,000 acres. The cocoon raisers in general are being urged to deversify their farming, thereby mitigating the effect of fluctuations in the price of cocoons.

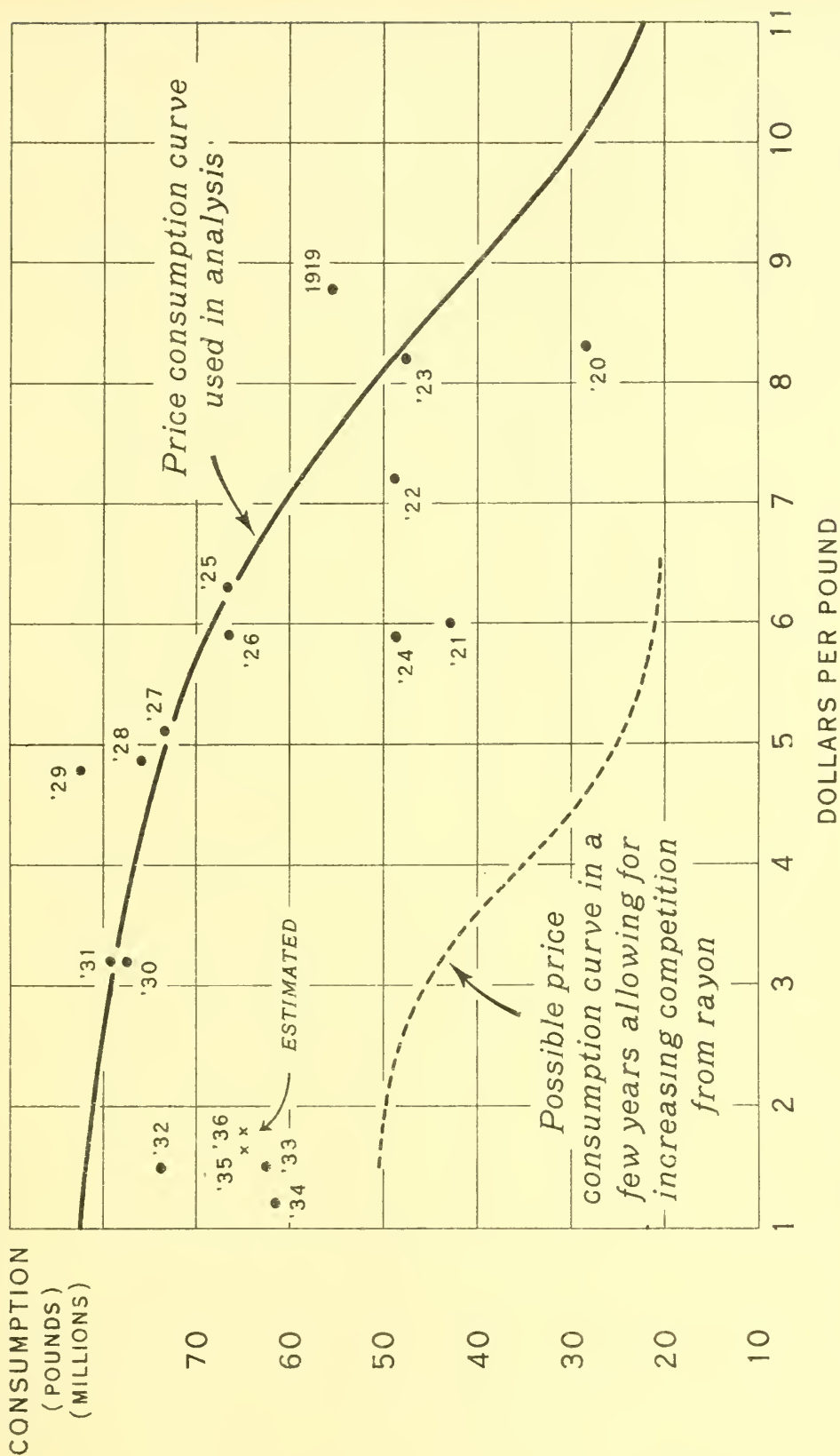
Other far-reaching measures have been enacted during the last 2 or 3 years. Chief among these is the license system law, according to which no filature of any size can be built without first acquiring a government license. According to the same law, the Government has the right to exercise active control over the filatures already established. Furthermore, through legislative enactments the Japanese authorities have acquired considerable control over the production of silkworm eggs. The basic plan for the reorganization of the raw-silk industry, including government control of exports, is still under consideration and has not yet attained the status of a law. In the bill introduced into the Japanese parliament, provisions are included to regulate prices and production of cocoons; export trade is to be controlled by the formation of an export raw silk sales control association, which, under the direct supervision of the Government, will establish maximum standard prices, control trade practices, and generally supervise and regulate the entire export of silk in order to maintain prices at desirable levels.

The control of the price of silk has proved difficult of realization. A study of Japanese silk prices for the past 25 years shows that the effectiveness of government measures to control prices depended, to a large extent, upon the economic conditions in the United States. Prosperity in the United States was reflected in higher prices paid for Japanese silk, while depression meant lower silk prices. It remains to be seen, therefore, whether the application of the new government measures will succeed irrespective of the influence which might be exerted by the economic conditions in the United States.

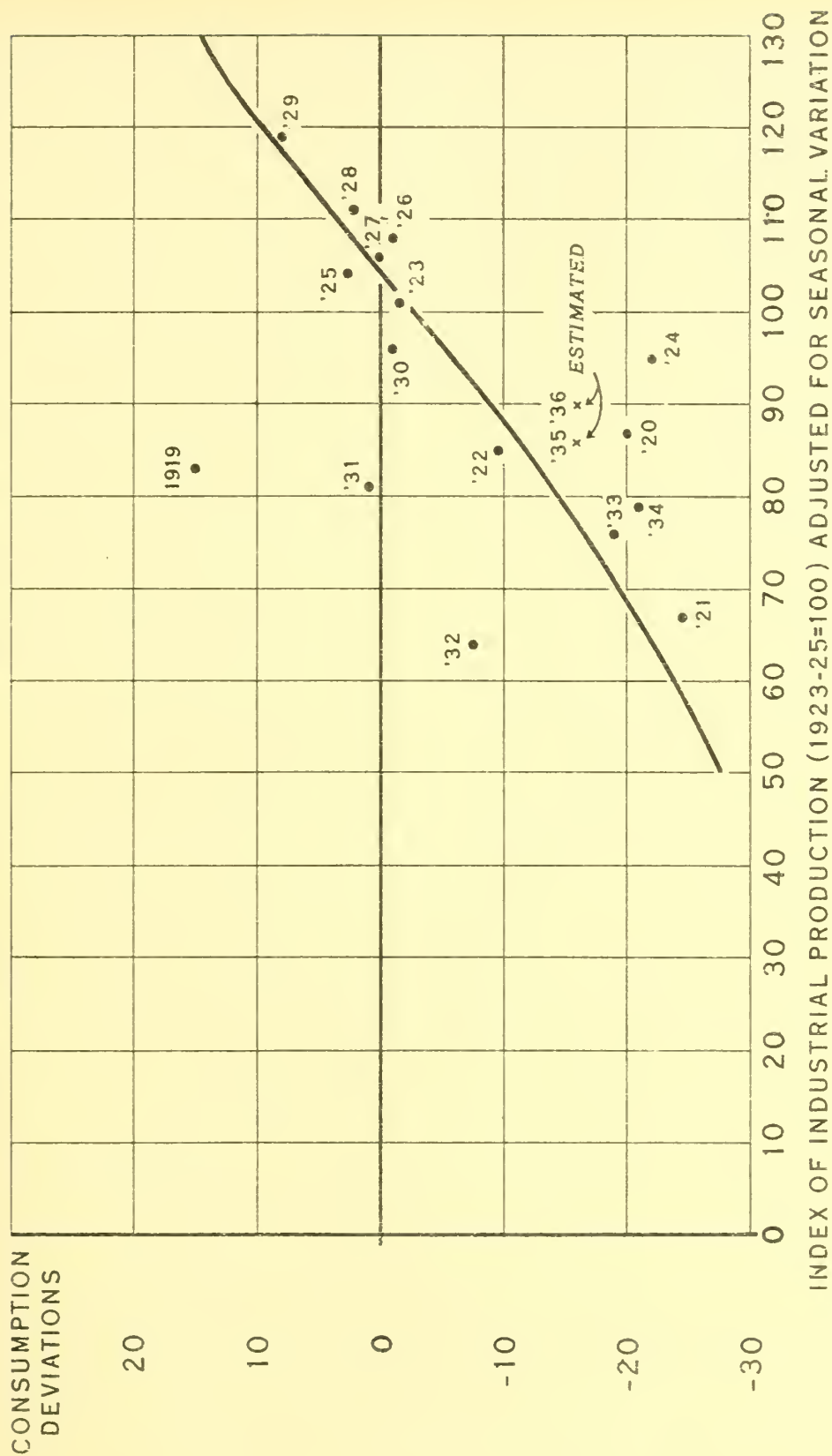
CONSUMPTION AND PRICE OF SILK IN THE UNITED STATES, 1919-34



SILK PRICES AND CONSUMPTION, 1919-36

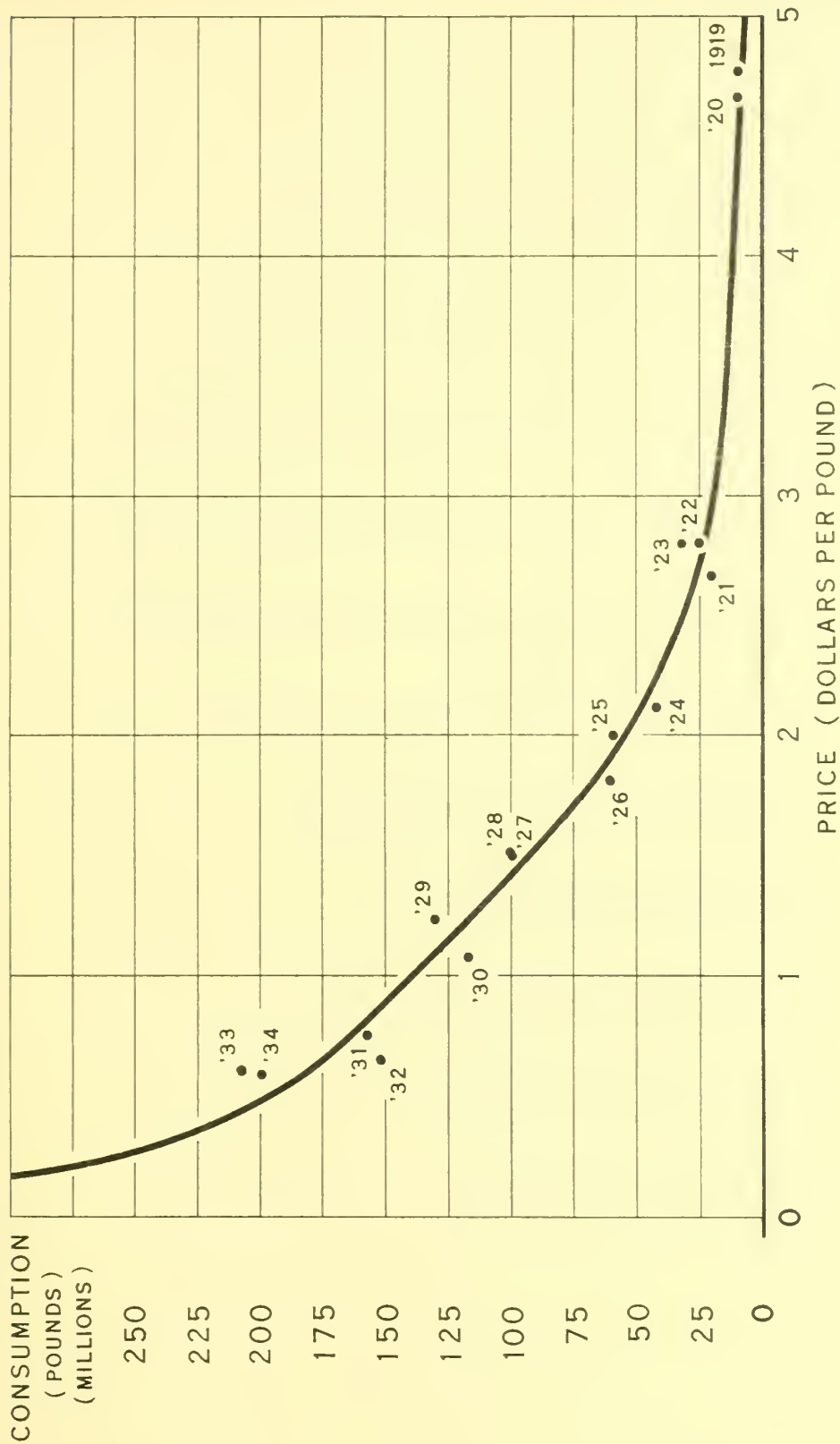


INDUSTRIAL PRODUCTION AND DEVIATIONS FROM CONSUMPTION-PRICE CURVE





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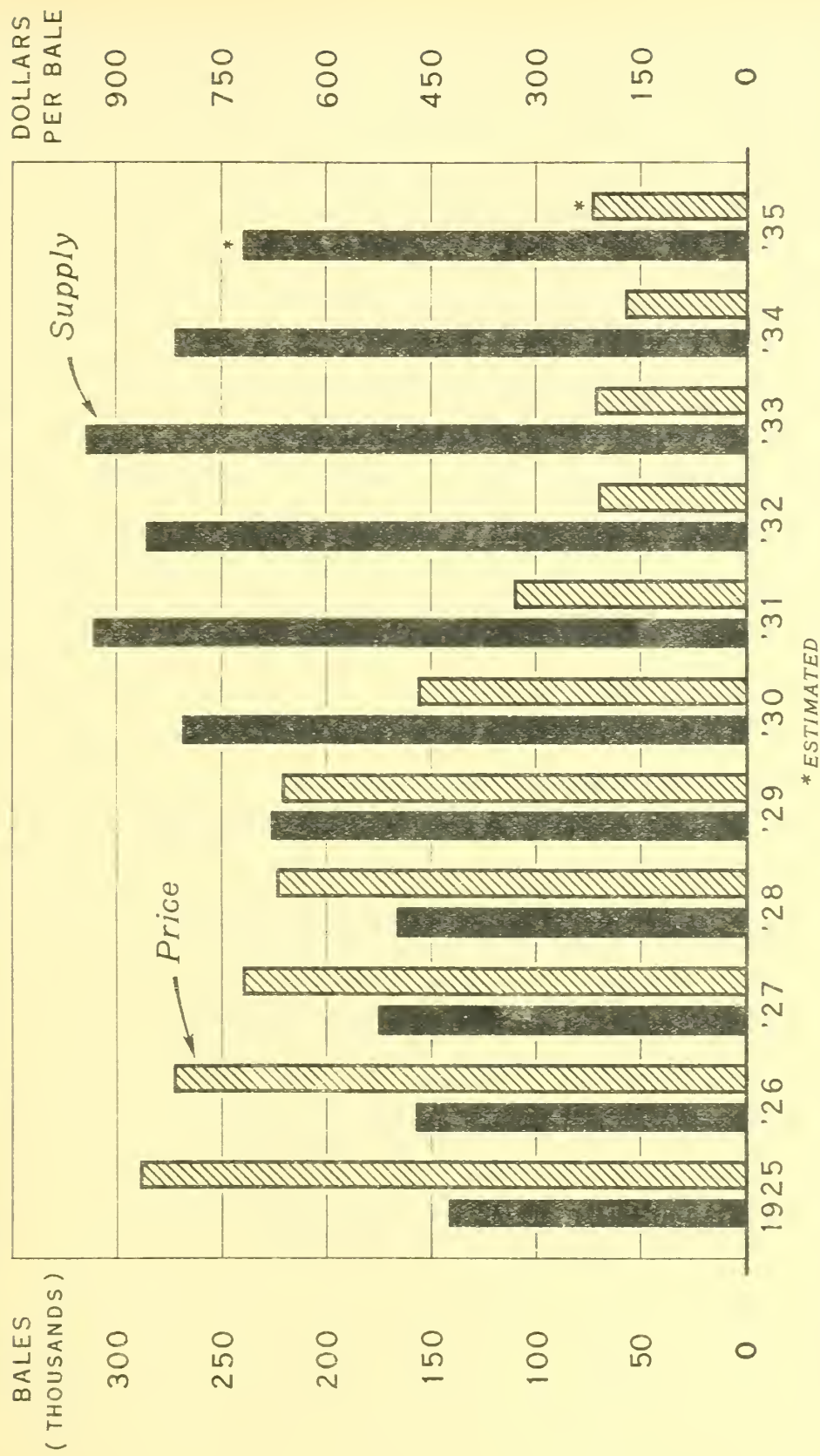


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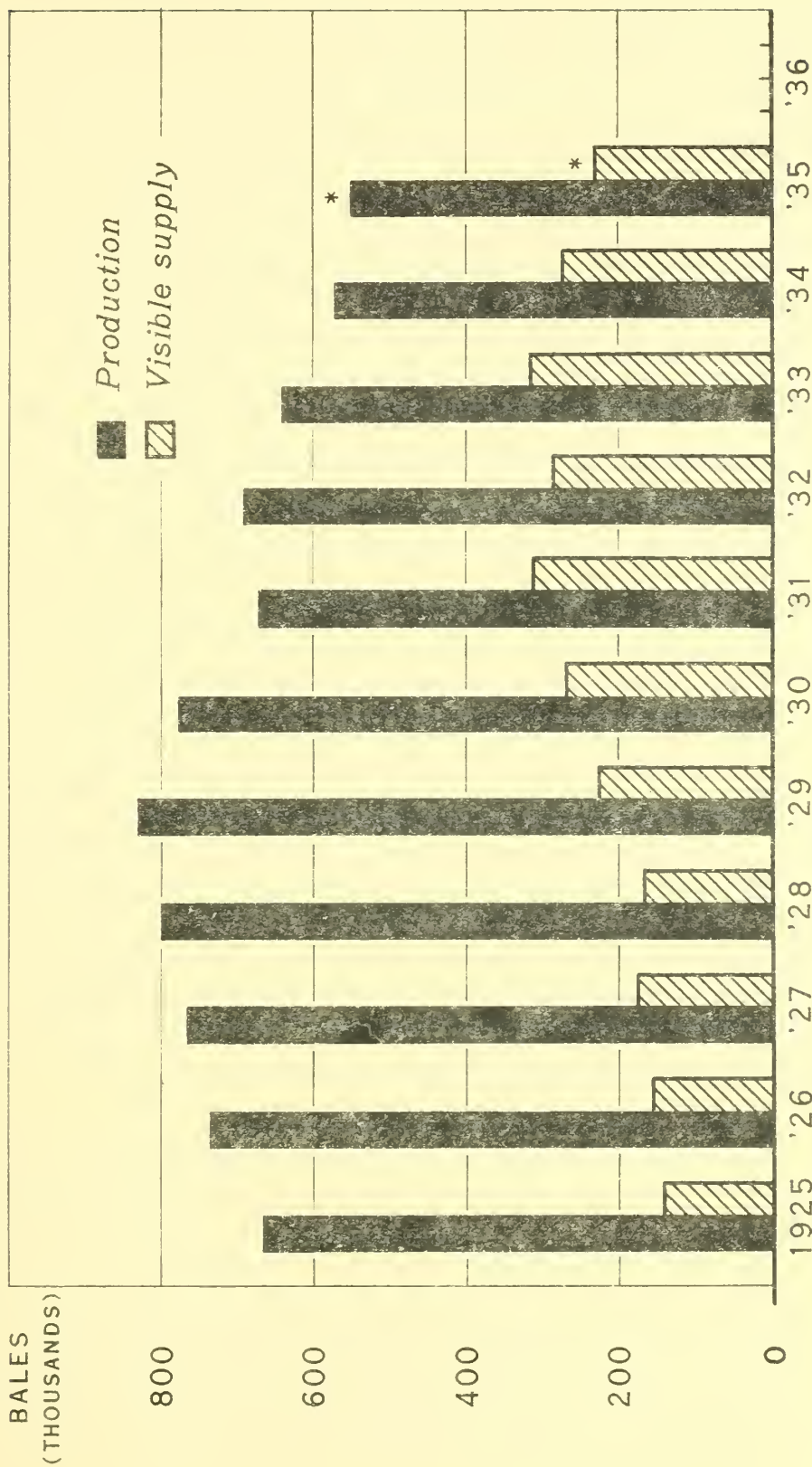
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RAW SILK: WORLD SUPPLY AND UNITED STATES PRICE, 1925-35



RAW SILK: WORLD PRODUCTION AND VISIBLE SUPPLY, 1925-35



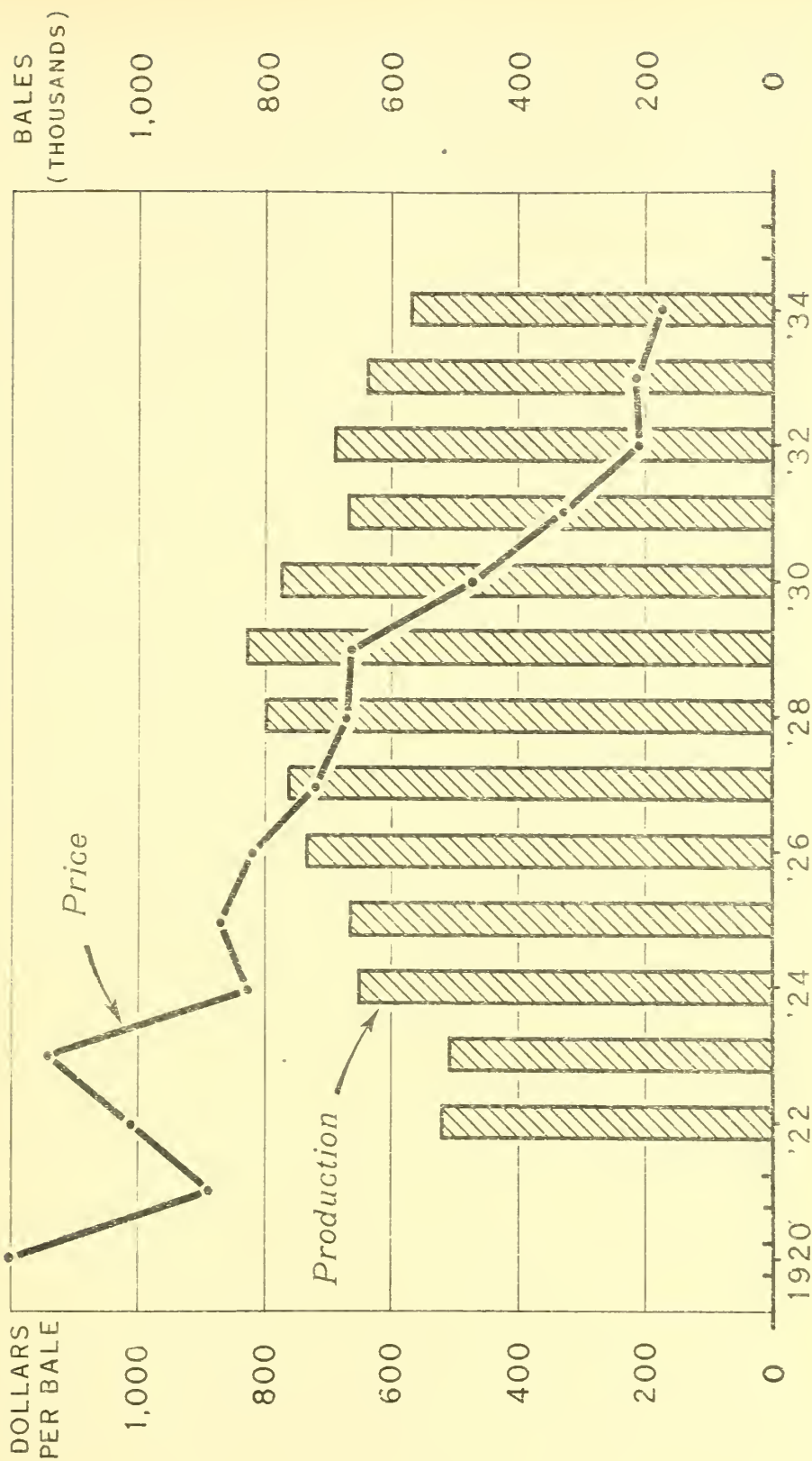
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* PRELIMINARY

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RAW SILK: WORLD PRODUCTION AND UNITED STATES PRICES, 1920-34

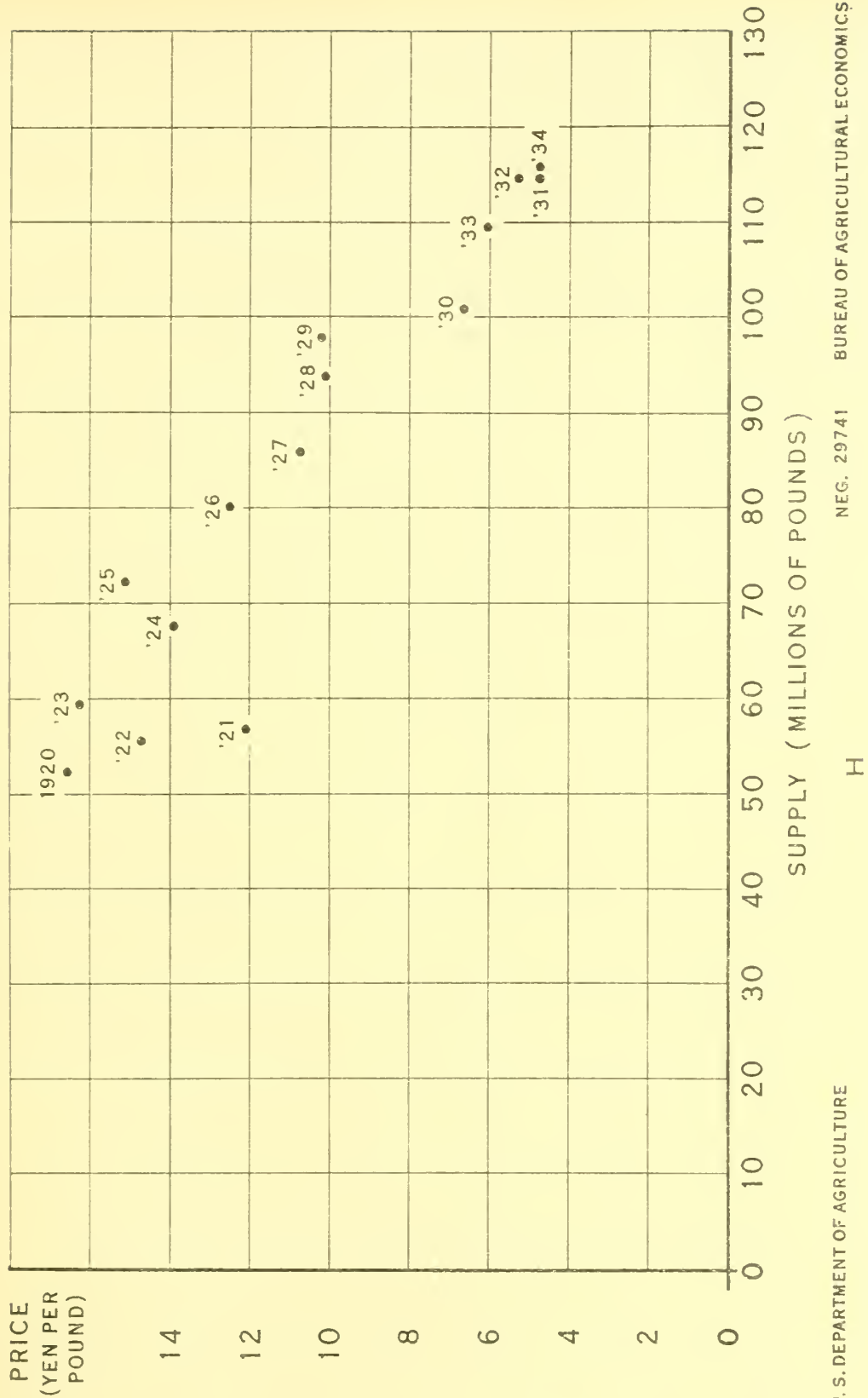


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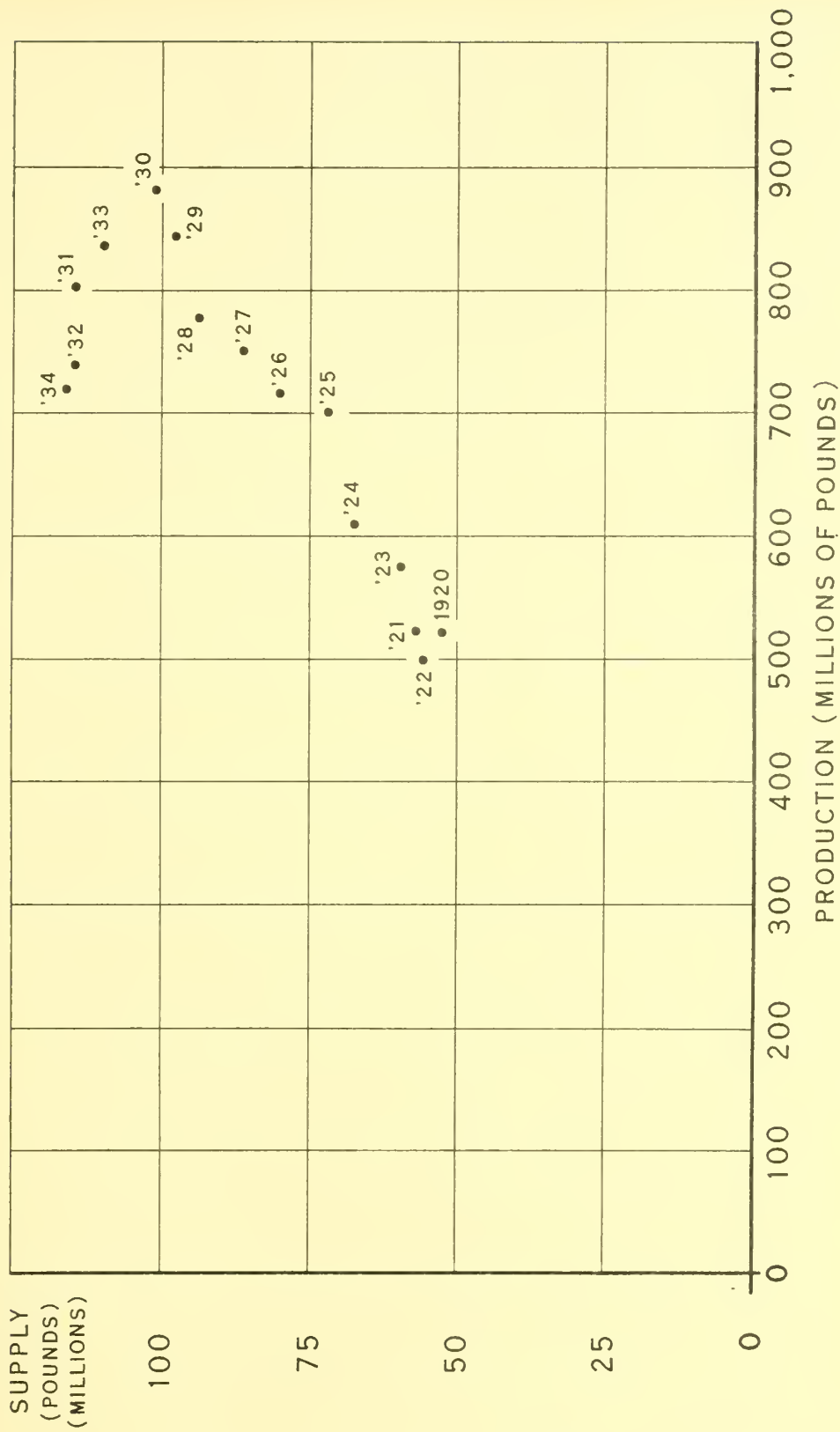
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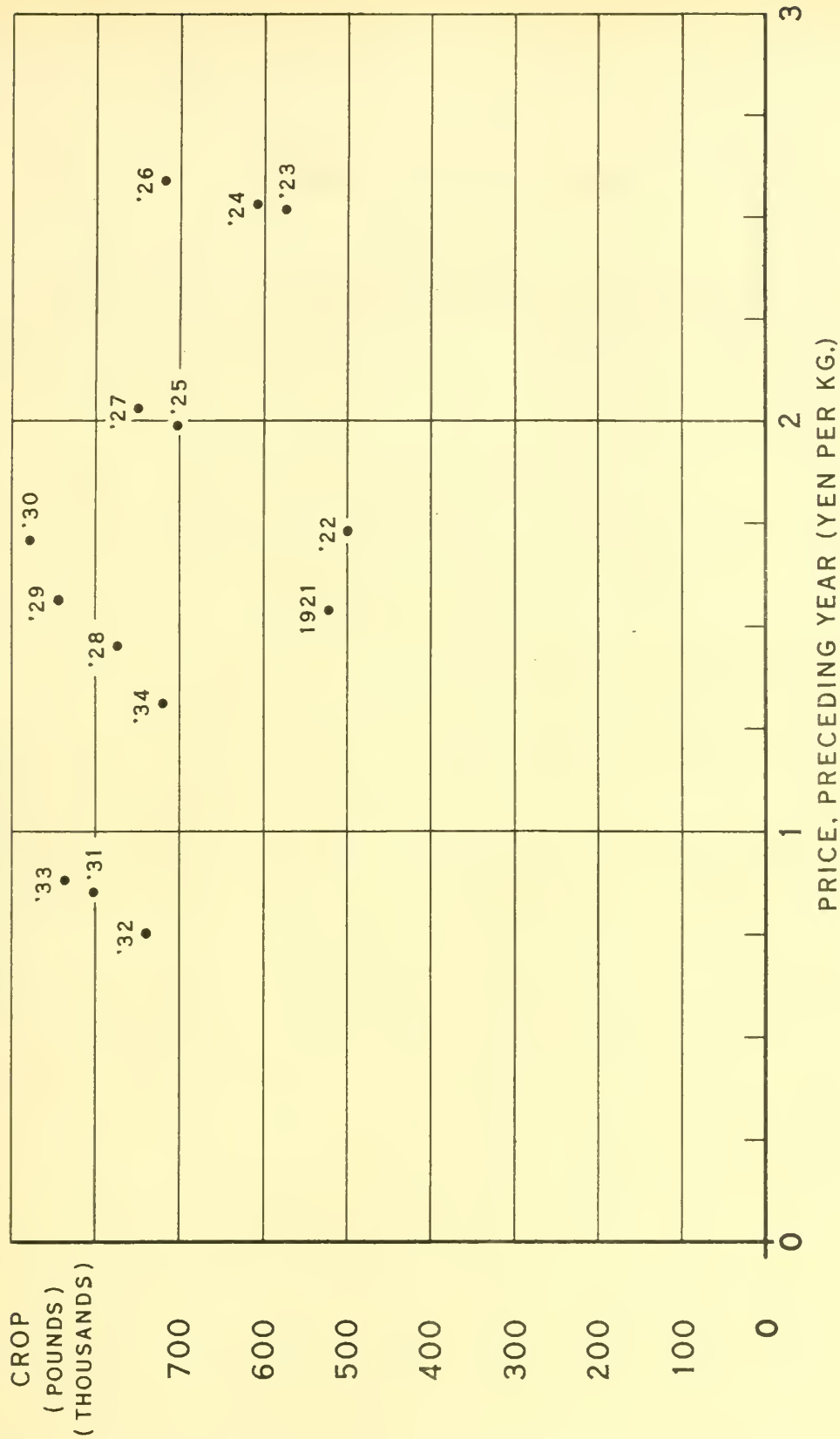
JAPANESE RAW SILK: SUPPLY AND PRICE, 1920-34



PRODUCTION OF COCOONS IN JAPAN AND SUPPLY OF JAPANESE RAW SILK, 1920-34



CROP OF COCOONS AND PRICE FOR THE PRECEDING CROP, 1921-34*



* DATES REFER TO THE CROP

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